



Mired in Debt? Here's What to Do

Debt management help may be the answer for those considering bankruptcy.

By Frances Cerra Whittelsey

November 2006

If late fees and high interest rates are getting you deeper in the hole, sign up for debt management help. Consider asking creditors for a more lenient payment schedule or lower interest rates, or consolidate your debts.

If you conclude that bankruptcy is your best option for a fresh start, here are some tips:

- First, find out if you're eligible under Chapter 7, Chapter 13—or not at all.
- Hire a bankruptcy lawyer. "Don't listen to anyone who tells you that he handled his own bankruptcy and everything went just fine," says James Caher, co-author of *Personal Bankruptcy Laws for Dummies*.
- Remember that the new law requires you to get credit counseling before you can petition for bankruptcy.
- If foreclosure on your home is a possibility, contact a bankruptcy attorney immediately.
- Bankruptcy does not necessarily wipe out debts like mortgages, child support and taxes. If you have a pension, 401(k), retirement account or life insurance, check your state laws to see if they are protected.
- Be prepared to provide detailed information on your assets and income. Be truthful, and don't try to hide property. You must list all creditors, liabilities and expenditures, too.
- To pay costs of filing, you can sell assets or ask for a loan from an employer, friend or relative. Be sure to tell them your intentions.

Copyright 1995-2006, AARP. All rights reserved.